



May 14, 2021

To All Concerned Parties

Company name	Mitsubishi Materials Corporation
Representative	Naoki Ono, Chief Executive Officer (Securities code: 5711, First Section, Tokyo Stock Exchange)
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Notice Regarding Partial Revision to Medium-Term Management Strategy

Mitsubishi Materials Corporation (hereinafter referred to as “the Company”) hereby announces a partial revisions to the Medium-Term Management Strategy (hereinafter referred to as “FY2023 Strategy”) for the period from the fiscal year ended March 31, 2021 (hereinafter referred to as “FY2021”) to FY2023, which was released on March 25, 2020 (then, partially revised on June 2, 2020). This revision was made in response to the changes in the business environment caused by the COVID-19 pandemic and its impact on the medium- to long-term business outlook. Details as described below.

1. Reasons for revisions to FY2023 Strategy

At the time of the announcement of the FY2023 Strategy on March 25, 2020, the Company had not factored in the impact of the global pandemic of the COVID-19 infection because the changes in the business environment and the impact on the medium- to long-term business outlook were extremely uncertain.

In consideration of the recent trends in the business environment and its impact on business performance, the Company has revised the FY2023 Strategy on the assumption that the business environment for FY2023 would recover to the level before the global spread of COVID-19.

At the same time, in order to optimize the business portfolio, the Company subdivided the Electronic materials & components business and clarified the positioning of each business in the business portfolio. Furthermore, with regard to the digital transformation (hereinafter referred to as “DX”) strategy within the Corporate Strategy, the Company has specified the themes and plans based on the initiatives taken in FY2021.

No other major revisions have been made. The Company will continue to make efforts based on the long-term goals and strategies of each business as set forth in the FY2023 Strategy in order to contribute to the creation of a "Richer Society", a "Recycling-Oriented Society", and a "Decarbonized Society", which are the mission of the Company from FY2031 to FY2051.

2. Overview of revised FY2023 Strategy

1) Financial plan

The achievement of the targets for ROIC, EBITDA, etc. for FY2023 announced on March 25, 2020 is expected to be delayed until FY2023 or later. Therefore, the Company has positioned the FY2023 Strategy period as a period to improve ROIC and solidify the foundation for efficiency and profitability, which will lead to a firm growth path in FY2024 and beyond.

(1) Financial target

The Company's financial targets for FY2023 after the revision are ROIC of 4.0% (6.0% before the revision), ROA of 2.0% (4.0%), ROE of 6.0% (7.0%), consolidated operating profit of ¥29 billion(¥58 billion), consolidated ordinary profit of ¥38 billion(¥75 billion), and net D/E ratio of 1.0times or less (1.0times or less).

(2) Investment policy

The Company has factored in growth investments and other investments, which had not yet been determined at the time of the announcement of FY2023 Strategy on March 25, 2020, while having postponed some of its investments, mainly in the Advanced Products Business and the Metalworking Solutions Business. For the period of the FY2023 Strategy, total investment is estimated to be ¥355 billion (¥360 billion before the revision), with a growth strategy investment of ¥195 billion (¥190 billion) and maintenance and upgrading investment of ¥160 billion (¥170 billion). Financial resources for investment will be generated by using cash flow from operations and proceeds from business restructuring and asset sales. While cash flow from operations is expected to decrease due to the impact of the COVID-19, the Company will restrain growth investment during the FY2023 Strategy period in businesses where demand expansion will be slower than expected, and aggressively invest in mines and M&A that are expected to generate high profits due to copper price hike. In addition, the Company will ensure to invest in upgradings to minimize opportunity cost due to problems with aging facilities, thereby securing the foundation of profitability and leading to future growth. In order to continue making these investments, on February 5, 2021, the Company raised ¥100 billion through a hybrid loan to strengthen its financial position.

(3) Shareholder return policy

The Company recognizes that the return of profits to its shareholders is one of the most important management issues. It is the Company's basic policy to provide a stable and continuous return to its shareholders while making decisions about shareholder return based on a comprehensive assessment of factors across its management, which include earnings for the period, internal reserves, and financial standing. The amounts of dividends will be determined by taking into consideration the funds required for investments, which includes "optimization of business portfolio", "relentless pursuit of enhancing competitiveness", and "creation of new products and businesses" as stated in the Group-wide Policy, as well as future business outlook, financial standing, etc. Regarding share buybacks, the Company will implement them expeditiously as additional shareholder returns, and improve capital efficiency.

The Company planned to pay out an annual dividend of ¥80 per share during the period of FY2023 Strategy. However, due to the impact of the COVID-19, cash flows from operations during the same period are expected to be much lower than the initial forecast. Under these circumstances, the Company while placing an emphasis on stability and continuity with regard to dividends, will set the minimum amount of dividends per share during the period of FY2023 Strategy at ¥50 based on the level of cash flows from operations that the Company has assumed can be generated on a stable basis. By accelerating the sale of assets, among others, and making expeditious allotments of funds, including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

2) Optimization of business portfolio (See the attachment)

The Electronic materials & components business consists of multiple businesses with different profitability and growth potential. Therefore, the business portfolio was positioned as “medium” in terms of both profitability and growth potential as of March 25, 2020 when the FY2023 Strategy was released. In line with this revision, the Company has subdivided the Electronic materials & components business and clarified its positioning in the business portfolio by indicating the profitability and growth potential of each business. Going forward, the Company will manage each business depending on such positioning.

3) Targets for contributing to a sustainable society (See the attachment)

Based on the current and future outlook of the business environment, the Company has revised the numerical targets for contribution to a sustainable society as follows.

i) Sales volume of copper materials for new HV/EV

Target until the end of FY2023: 1,200t (1,000t before the revision)

(Reason for revision: Change in the market trends)

ii) Sales volume of next-generation vehicles and environmentally friendly products

Target until the end of FY2023: ¥5.6 billion (¥20.3 billion before the revision)

(Reason for revision: Change in net sales forecasts)

iii) Annual total power generation of renewable energy

Target until the end of FY2031: 533GWh

(Target until the end of FY2026: 550GWh before the revision)

(Reasons for revision: Changed the target year, and changed the definition to the generation volume of each business multiplied by the Company's ownership share)

4) DX strategy (MMDX: Mitsubishi Material Digital Business Transformation)

As part of the DX strategy, the Company established the Digital Transformation Management Office in April 2020. In order to further specify the measures set forth in the FY2023 Strategy, in FY2021, the Company selected DX themes and studied the details for implementing the measures. As a result, 21 DX themes were selected including "Review the entire business process with a focus on 'get closer to customers'", "Create a foundation for catching up to competitors' efforts and winning on a global scale" and "Strengthen the management foundation by upgrading manufacturing excellence such as safety and security, enhancing business management and data utilization, and promoting business efficiency". The Company also developed a MMDX action plan for 6 years from FY2021 to FY2026.

Moreover, the Company held workshops to improve digital mind/literacy and train DX professionals in order to strengthen the base of DX professionals.

Based on these efforts, the Company has clarified the key perspectives, implementation themes, and master plan of its digitalization strategy, "MMDX", in this review of the FY2023 Strategy. The details are shown in the attachment. The Company aims to promote MMDX with a sense of urgency that this is the only period to catch and surpass its peers in the competitive market.

<Reference>

1. Financial target and investment amount

FY2023 financial targets and investment amount, which were reviewed and revised in consideration of the recent business environment and business performance trends, are as follows.

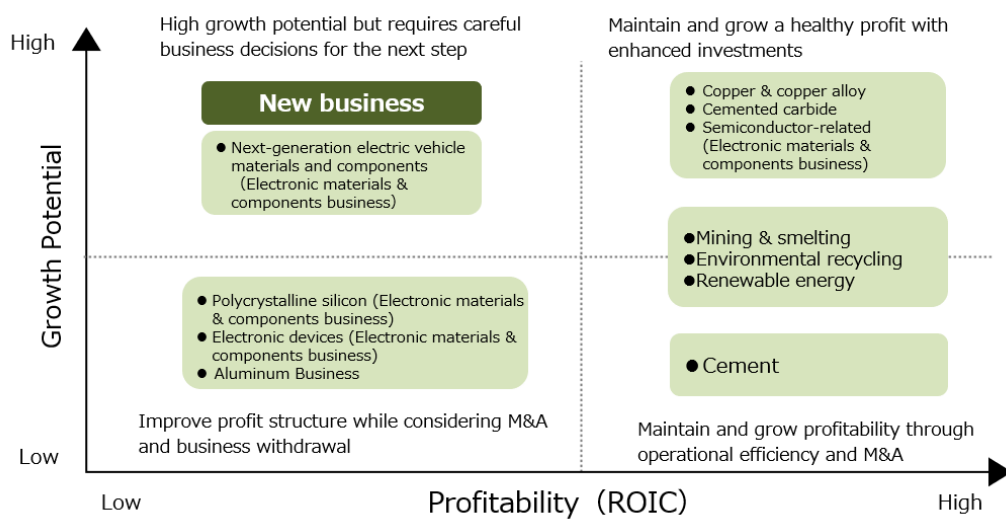
1) Financial figures (Consolidated) (Unit: billion yen)

		FY2020 Results	FY2021 Results	FY2023 Targets	
				Original Targets	Revised Targets
ROIC		3.8%	3.8%	6.0%	4.0%
ROA		2.6%	2.3%	4.0%	2.0%
ROE		-12.8%	4.6%	7.0%	6.0%
PL	Sales	1,516.1	1,485.1	1,530.0	1,410.0
	Sales (ex. metal cost)	857.3	795.1	650.0	600.0
	Operating profit	37.9	26.5	58.0	29.0
	Ordinary profit	49.6	44.5	75.0	38.0
BS	Total asset	1,904.0	2,035.5	2,040.0	1,820.0
	Net interest-bearing debt	413.1	476.3	510.0	360.0
	Equity	506.7	545.2	630.0	560.0
Net D/E ratio		0.8 times	0.9 times	1.0 times or less	1.0 times or less
Assumption	Exchange rate	109 yen/US\$	106 yen/US\$	110 yen/US\$	110 yen/US\$
		121 yen/euro	124 yen/euro	125 yen/euro	130 yen/euro
	Copper price	266 ¢ /lb	312 ¢ /lb	290 ¢ /lb	330 ¢ /lb

2) Total investment amount for the period of FY2023 Strategy (Consolidated) (Unit: billion yen)

	Original Plan	Revised Plan
Growth Strategy investment	190	195
Maintenance and upgrading investment	170	160
Investment amount	360	355

2. Optimization of business portfolio



Medium-Term Management Strategy (FY2021 - 2023) Overview of Revision

May 14th , 2021

[Outlook for current and future business environment]

Although business performance has been suffering from the impact of COVID-19, with increasing vaccine availability and acquisition of herd immunity, etc., it is gradually recovering. The Company has formulated a revised financial plan assuming that the Advanced Products Business and the Metalworking Solutions Business will recover to pre-COVID-19 performance levels by FY2023, while the Cement Business may be impacted by accounting changes to the equity method and the Metals Business may be impacted by a decreasing dividend income from mines. However, our forecast of FY2023 results will have significant downward revisions from the original target, and that the timing for reaching the original FY2023 target will be delayed until FY2024 at the earliest.

(Unit: billion yen)

		FY2023 Original Target (※ 1)	FY2023 Revised Target (※ 1)	Increases & decreases
ROIC (%)		6.0	4.0	-2.0
ROA (ordinary income to total assets) (%)		4.0	2.0	-2.0
ROE (%)		7.0	6.0	-1.0
P L	Net sales	1,530	1,410	-120
	Net sales (excluding metal)	650	600	-50
	Operating profit	58	29	-29
	Ordinary income	75	38	-37
B S	Total assets	2,040	1,820	-220
	Net interest-bearing debt	510	360	-150
	Shareholders' equity	630	560	-70
Net D/E ratio (times)		1.0 or less	1.0 or less	—

※1 Assuming transition to equity method in cement business

Financial Plan : (Consolidated) Financial Goals

(Unit: billion yen)

		FY2020 Result	FY2021 Result	FY2023 Target (※1)	Change rate from FY2020	Remarks
ROIC (%)		3.8	3.8	4.0	+0.2points	
ROA (ordinary income to total assets) (%)		2.6	2.3	2.0	-0.6points	
ROE (%)		-12.8	4.6	6.0		
PL	Net sales	1,516.1	1,485.1	1,410.0	-7%	【Ordinary income fluctuation factors】 Market conditions 5.5 Metal prices 3.0 Exchange rate 2.0 Dividend from mine -5.5 Impact of the change in accounting treatment of cement business becoming a minority share holding -10.0 Others -6.6 Total -11.6
	Net sales (excluding metal)	857.3	795.1	600.0	-30%	
	Operating profit	37.9	26.5	29.0	-23%	
	Ordinary income	49.6	44.5	38.0	-23%	
BS	Total assets	1,904.0	2,035.5	1,820.0	-4%	
	Net interest-bearing debt	413.1	476.3	360.0	-13%	
	Shareholders' equity	506.7	545.2	560.0	+11%	
Net D/E ratio (times)		0.8	0.9	1.0 or less		
Assumptions	Exchange rate (yen/\$)	109	106	110		【Sensitivity】 ◆ 1 yen increase in USD/JPY exchange rate: +0.8 billion yen ◆ 10¢/lb increase in copper price (LME) : +1.6 billion yen (Ordinary income)
	Exchange rate (yen/€)	121	124	130		
	Copper price (¢/lb)	266	312	330		

※1 Assuming transition to equity method in cement business

Financial Plan : (Consolidated) Financial Indicators

- Focus on medium- to long-term profitability and growth potential
- Profitability is measured by ROIC and growth potential by EBITDA, etc., for each business
- Complementary use of ROA in process-type businesses
- ROIC/ROE/ROA are used together as group-wide financial indicators

		FY2018-2020 Average	FY2023 Target
The whole MMC group	ROIC	4.2%	4.0%
	ROA	3.1%	2.0%
	ROE	-2.0%	6.0%

<Main Businesses>

			FY2018-2020 Average	FY2023 Target	By business division KGI	FY2018-2020 Average	FY2023 Target
Advanced Products Business	Copper & Copper alloy	ROIC	3.8%	3.0%	EBITDA	14.4 billion yen	14.0 billion yen
	Electronic materials		2.5%	4.2%	EBITDA	4.1 billion yen	11.0 billion yen
Metalworking Solutions Business	Cemented Carbide		8.3%	5.3%	EBITDA	28.1 billion yen	22.0 billion yen
Metals Business			25.0%	12.9%	ROA※ ¹	8.9%	7.2%
Environment & Energy business	Environmental Recycling		1.4%	2.4%	ROA	2.0%	2.8%
	Renewable energy		4.3%	2.6%	ROA	5.6%	3.3%

ROIC = NOPAT / invested capital

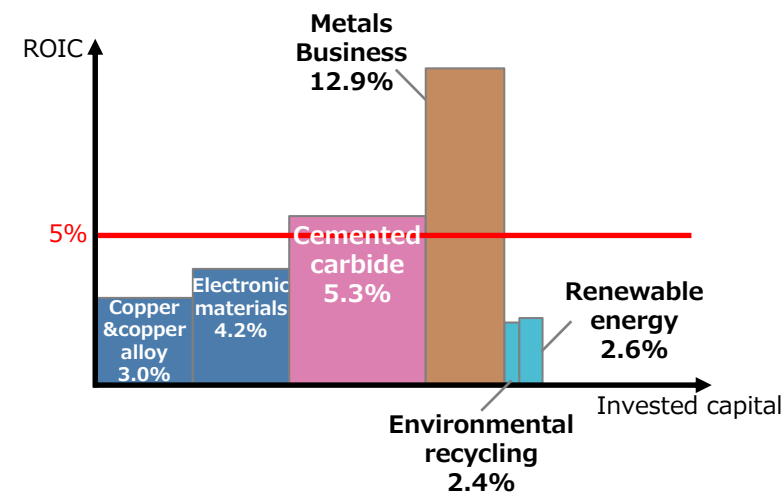
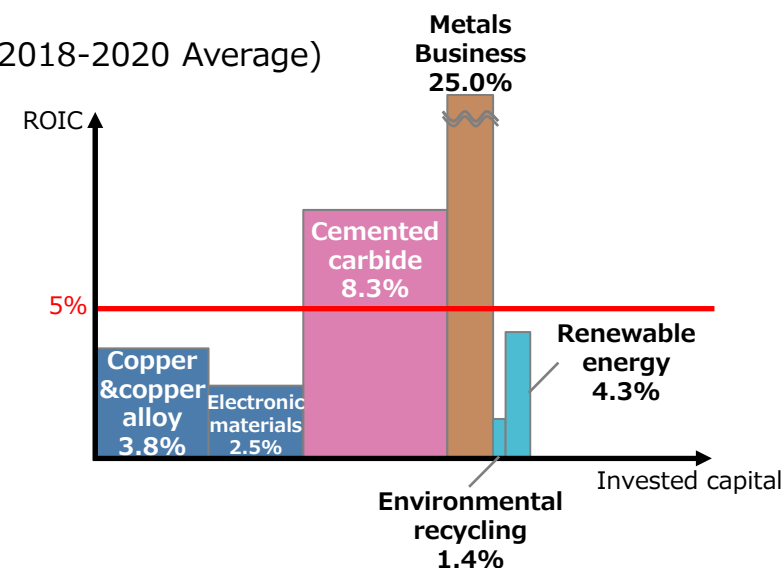
NOPAT : (Ordinary profit + interest on funds) × (1-effective tax rate)
Profit before tax includes share of profit/loss of investments accounted for using equity method and dividend income

Invested capital : Excludes amount equivalent to inventories that are risk-free because of price hedging

※1 Calculated by excluding the price of bullion

Changes in ROIC of main businesses in FY2023 Strategy

(FY2018-2020 Average)



- During the period of FY2023 Strategy, the Company will solidify our efficiency and profitability, which will be necessary pre-conditions for maintaining a solid growth trajectory.
- The Company aims to achieve the original FY2023 Strategy target promptly in or after FY2024.

Main Business		ROIC		EBITDA/ROA	
		FY2023 Original Target	FY2023 Revised Target	FY2023 Original Target	FY2023 Revised Target
Advanced Products Business	Copper & Copper alloy	4.0%	3.0%	20.0 billion yen	14.0 billion yen
	Electronic materials	6.0%	4.2%	16.0 billion yen	11.0 billion yen
Metalworking Solutions Business	Cemented Carbide	7.0%	5.3%	39.0 billion yen	22.0 billion yen
Metals Business		10.5%	12.9%	6.5%	7.2%
Environment & Energy Business	Environmental Recycling	4.0%	2.4%	6.0%	2.8%
	Renewable energy	4.0%	2.6%	5.5%	3.3%

Review of resource allocation

Investment Policy

◆ Cumulative cash flows from FY2021 to 2023 (Consolidated)

Cash in

(Unit: billion yen)

	Original Plan	Revised Plan	Increases & decrease
Operating CF	2 8 0	2 4 0	- 4 0
Others	6 0	1 4 5 ※1	8 5
Total	3 4 0	3 8 5	4 5

※1 Business restructuring and sales of strategic holdings

Cash out

(Unit: billion yen)

		Original Plan	Revised Plan	Increases & decreases
Investing CF	Investment for growth	1 9 0	1 9 5	5
	Investment for maintenance and upgrading	1 7 0	1 6 0	-10
	Subtotal	3 6 0	3 5 5	-5
Financing CF	Dividends ※2	4 6	4 2	-4
Total		4 0 6	3 9 7	-9

※2 Dividends paid, share buybacks, and cash dividends paid to non-controlling shareholders

◆ Cumulative investment plan from FY2021 to 2023 (Consolidated)

(Unit: billion yen)

	Advanced Products	Metalworking Solutions	Metals	Cement	Environment & Energy	Others
Original plan	82	107	74	30	15	52
Revised Plan	78	81	93	47	18	38
Increases and decreases	-4	-26	19	17	3	-14
Breakdown of major increases and decreases	Decrease of investment for growth	Decrease of investment for growth Increasing M&A	Increasing investment to mines	Increasing investment in business integration Increasing investment in environmental measures (US)	Increasing growth investment for household appliances and renewable energy	Decreasing capital expenditure in the Aluminum business

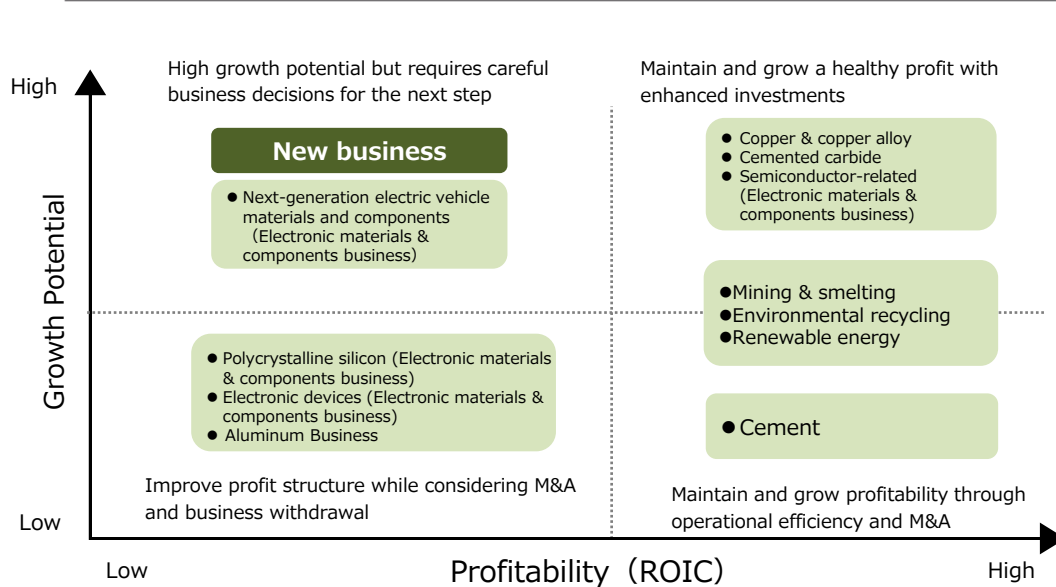
While operating CF is expected to decrease due to the impact from COVID-19, the Company will restrain growth investment during the FY2023 Strategy period in businesses where demand expansion will be slower than expected, and aggressively invest in mines and M&A that are expected to generate high profits due to copper price hike. In addition, the Company will ensure it invests in renewals to minimize opportunity cost due to problems with aging facilities and thereby securing a foundation for profitability and leading to future growth.

Shareholder return policy

- The Company will set the minimum annual dividend amount for the period of FY2023 Strategy at 50 yen per share
- By accelerating the sale of assets, among others, and making expeditious allocations of funds including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

	Original Plan	Revised Plan
Dividends	80yen/share	50yen/share

Status of business portfolio optimization



【Characteristics of businesses that the company should take ownership of】

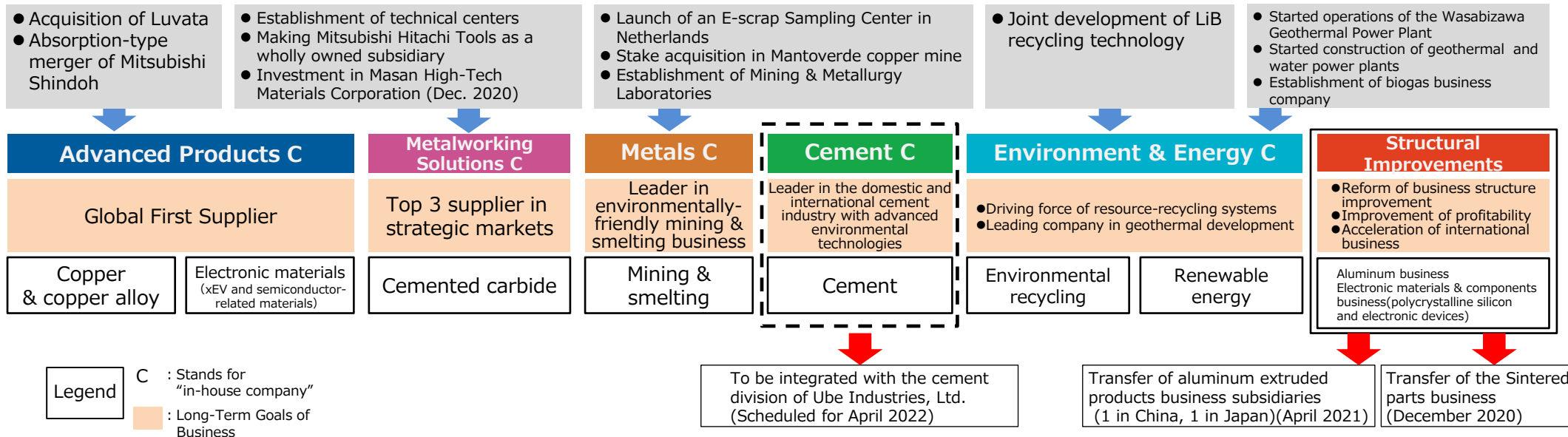
- Businesses that are consistent with the Group's vision and mission
- Businesses that are governable by the Group
- Businesses that are capable of earning a leadership role in a specific region or the world
- Businesses that can deliver stable returns over capital costs on a medium- to long-term basis

【Building business portfolio】

- Profitability and growth potential determine the business direction
- Profitability is measured by ROIC (spread)
- Growth potential is measured by EBITDA growth rate, etc.

The Electronic materials & components business is a complex business entity comprised of multiple businesses. The company positioned its entire business as a single unit in the original FY2023 Strategy. At this time of review, the company subdivided the Electronic materials & components business from the point of ownership, development recourses, relevance to the Company's technology, profitability and growth potential, and clarified its positioning in the business portfolio. Going forward, the Company will manage each business depending on such positioning.

Reformation of business structure



Review of Goals for Contributing to a Sustainable Society

The Company have revised the following three goals based on the outlook of the current and near future business environment

Contribution Goals	Original Goals	Revised Goals	Reasons for revision
Sales volume of copper materials for new hybrid and electric vehicles	FY2023 1,000t	<u>FY2023 1,200t</u>	- Change in the market trends (Reflection on sales status of new products)
Net sales of next-generation vehicles and environmentally friendly products	FY2023 20.3 billion yen	<u>FY2023 5.6 billion yen</u>	- Change in the net sales forecasts (Weak implementation of measures and impact of product changes)
Annual total power generation of renewable energy	FY2026 550GWh	<u>FY2031 533GWh</u>	- Change in the definition of the generation volume of each business (power generation and geothermal steam supply) multiplied by the Company's ownership share - Change in the target fiscal year to FY2031, which is also the target year of GHG reduction.



Sales volume of copper materials for new HV/EV

1.2 times or more

FY2020 Result
989t

FY2023 target
1,200t



Sales volume of materials for next-generation vehicles and environmentally friendly products

1.3 times or more

FY2020 Result*1
4.2billion yen

FY2023 target
5.6 billion yen



Ratio of recycled tungsten as raw material in cemented carbide tools

Up 25%

FY2020 Result
28%

FY2023 target
35%



E-Scrap processing capacity

Up 25%

FY2020
160,000t

FY2031 target
200,000t



Waste and by-products processing volume in cement production

Up 15%

FY2020 Result
3.9million tons

FY2031 target
4.5 million tons
(FY2020 production volume basis)



Annual processing volume of home appliance recycling

Up 27%

FY2020 Result
2.8million units

FY2023 target
3.5 million units



Annual total power generated by renewable energy

Up 22%

FY2020 Result
437GWh

FY2031 target
533GWh

Greenhouse Gas (GHG) Reduction Target

- Target setting for becoming a carbon neutral company by FY2051
- Aiming to reduce GHG emissions by 17% or more by FY2031 for the entire Group (compared with FY2014)
- Striving for at least 30% reduction in the Advanced Products and the Metalworking Solutions Businesses, where energy-derived emissions predominate

※1 Reviewed definition of the applicable automotive device products

※2 Revised definition of the generation volume of each business (power generation and geothermal steam supply) multiplied by the Company's ownership share

ESG Effort (Topics for FY2021)

Environment

➤ **Response to climate change**

- Setting the targets of Greenhouse Gas (GHG) emission reduction
(The Company aims to be carbon-neutral by FY2051 and reduce carbon emissions by at least 17% by FY2031)
- Setting targets for the percentage of renewable energy used and for power generation
(At least 20% increase in usage compared with FY2031 and power generation target of 533GWh)
- Disclosure of the results of scenario analysis
- CCU* Starting Carbon Capture Utilization (synthesis of methanol, etc) technological development verification test
- PPA* Beginning operation of solar power energy generation facilities using power purchase agreement model
(promote electric power procurement from renewable energy)
- Participation in “Challenge Zero” of Japan Business Federation (Keidanren)

➤ **Expansion of renewable energy business**

- Started new small hydropower survey and exploration in addition to survey of new geothermal sites

➤ **Pursuing a recycling-based business model**

- Starting the operation of a food waste biogas power-generation plan
- Investment to Masan High-Tech Materials Corporation
(starting discussion about collaboration on expansion of tungsten recycling)

➤ **Effort to reduce environmental load**

- Developed “GloBrass” which is the next-generation lead-free cutting brass

Social

- Creation of new labor environment resulting from COVID-19 crisis
(Positioning and optimization of the head office as the communication hub)
- Offering “CLEANBRIGHT®”, which is a discoloration-resistant copper alloy with bacteria-resistant and virus-resistant properties (ballpoint pens and mechanical pencils)

Governance

- Strengthening group governance system
- Increase the ratio of external directors from six among 11 during FY2020 to six among ten during FY2021
- Review of executive remuneration system
- Reducing strategic holdings of stocks (the total sales proceeds during FY2021 were approximately 62.4 billion yen, equivalent to approximately 54% of amount recorded on the balance sheet as of the previous fiscal year end)

*CCU : Carbon Capture and Utilization

*PPA : Power Purchase Agreement

Digital Transformation Strategy : 21 MMDX*¹ Themes and Key Perspectives

*1MMDX:Mitsubishi Material Digital Business Transportation



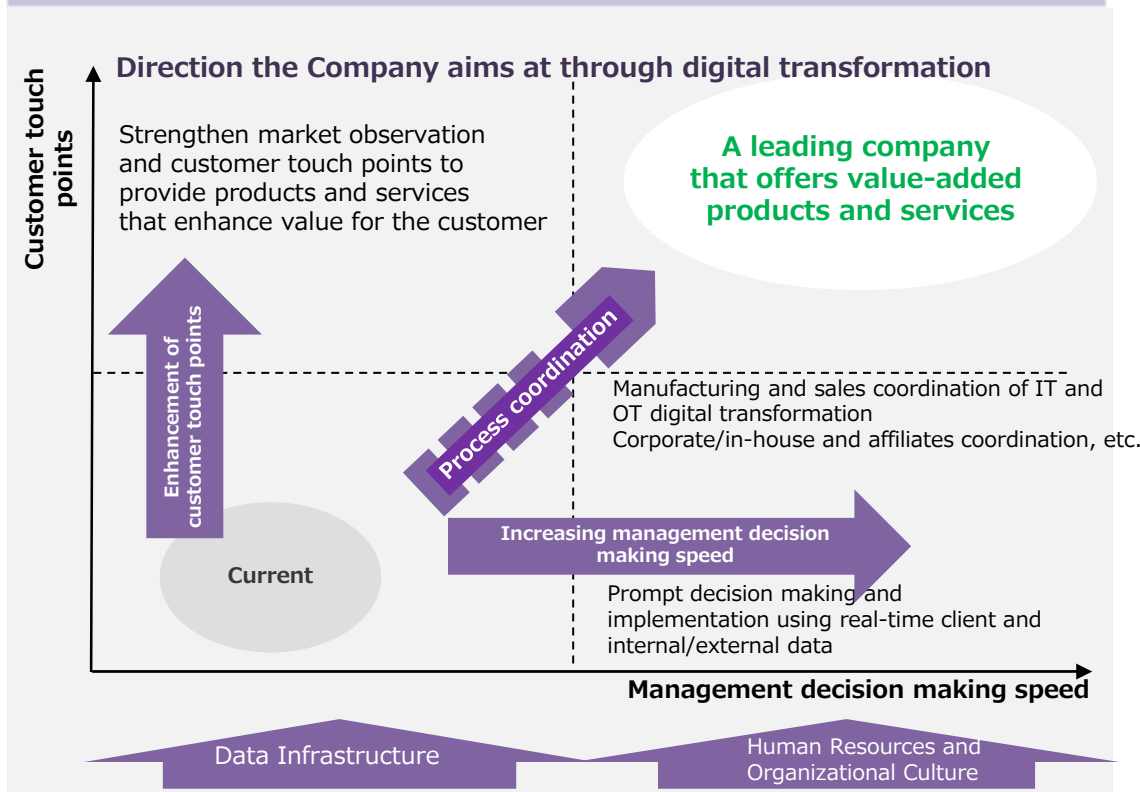
Summary of MMDX Themes As of April 2021

Business Digital Transformation	Product-based business	Metalworking C DX	1. MI*2 : Digital customer touch points
		Advanced Products C DX	2. MI*2 : Utilization of market information
		Companywide	3. Ability to propose solutions
	Recycling-Based Business		4. Demand and supply management
Advancement of Manufacturing Excellence (Including digital technology utilization for process-oriented businesses)			5. Improvement of customer touch points
			6. Supply chain integration
			7. Advance development and production data utilization
			8. Income platform
			9. Companywide standardization
			10. Strengthening E-Scrap processing
			11. Environmental recycling digital transformation
			12. Security and safety
			13. Maintenance
			14. Advance procurement
			15. Digital transformation of the Central Research Institute
			16. ERP
			17. Upgrading of business administration
			18. Data infrastructure and utilization
			19. Operational efficiency
			20. Talent management
			21. Digital transformation talent development and literacy improvement
Key Operations			
Data Infrastructure			
Operational Efficiency			
Human Resource Base			

Key Points for Implementing Measures

- Review the entire business processes with a focus on “getting closer to customers”
- Create a foundation for catching up with competitors and winning on a global scale
- Strengthen the management foundation through safety and security, enhanced business management, and increased efficiency

Theme and Key Perspectives for MMDX



*2 MI : Market intelligence

- Make appropriate addition, integration and elimination of MMDX themes in response to the changes in the business environment and the progress of each theme
- Under the MMDX plan, the company plans more than 40 billion yen investment over six years starting from FY2021.
- Developing 100s of digital human resources, including business and system-related digital transformation leaders and data scientists, through MMDX implementation

Digital Transformation Strategy : Master Schedule of the Entire MMDX



		Stage 1						Stage 2		
		FY2021		FY2022		FY2023		FY2024	FY2025	FY2026
		First half	Second half	First half	Second half	First half	Second half			
		Initial stage of MMDX implementation ✓ First, create a strategy to catch-up and a foundation to surpass competitors ✓ Solidify the management base, including security and safety, data infrastructure, and business administration						Full-scale operation phase of MMDX ✓ Introduction of key systems (ERP) ✓ Acceleration of MMDX in the Group		
Business Digital Transformation	Product-based business (Metalworking Solutions and Advanced Products)	• Implementation of measures to realize the medium-term management strategy of each business • Strengthening customer touch points, process coordination and enhancing global cooperation						• Enforce measures to catch up and surpass the competitors ✓ Metalworking Solutions: Global Top 3 ✓ Advanced Products : “Global First Supplier”		
	Recycling-Based Business	• Building a foundation for the recycling business						• Promote utilization of recycling data		
Manufacturing Digital transformation		• Implement digital transformation to achieve the goals of safety and security, maintenance, procurement, and R&D • Promote data utilization in the fields and smart factory plans						• Accelerate digital transformation to enhance safety and security, maintenance, and procurement • Accelerate manufacturing excellence and new business development by utilizing data and digital technologies		
ERP		• Formulation of ERP introduction plan		• Define requirements/ Design • Development / Testing				• Implement on a non-group-wide basis first and then gradually roll out to domestic and overseas companies in the Group		
Data infrastructure/ Business Administration		• Build infrastructure for data analysis • Training for data scientists and promote data utilization • Improving business administration						• Build and utilize data infrastructure in the Group • Visualization of management information, automation and sophistication of analysis • Realize speedy management based on data		
Operational Efficiency		• Standardization of operation, and thorough automation						• Standardize and improve efficiency of operations across the Group and shift human resources to high value-added operations		
DX talent development		• Design digital transformation training system and MMDX activity across the entire Group • Practice free and frank communication						• Digital transformation talent development and strengthening of digital transformation literacy • All group members autonomously accelerate digital transformation		

Future plans and other statements are based on information made available to MMC's management as of the date of the release of this material.

Note that there are uncertain/risk factors inherent in plans, and there may be cases in which actual results materially differ from plans and other statements made within this material.

Mitsubishi Materials Corporation

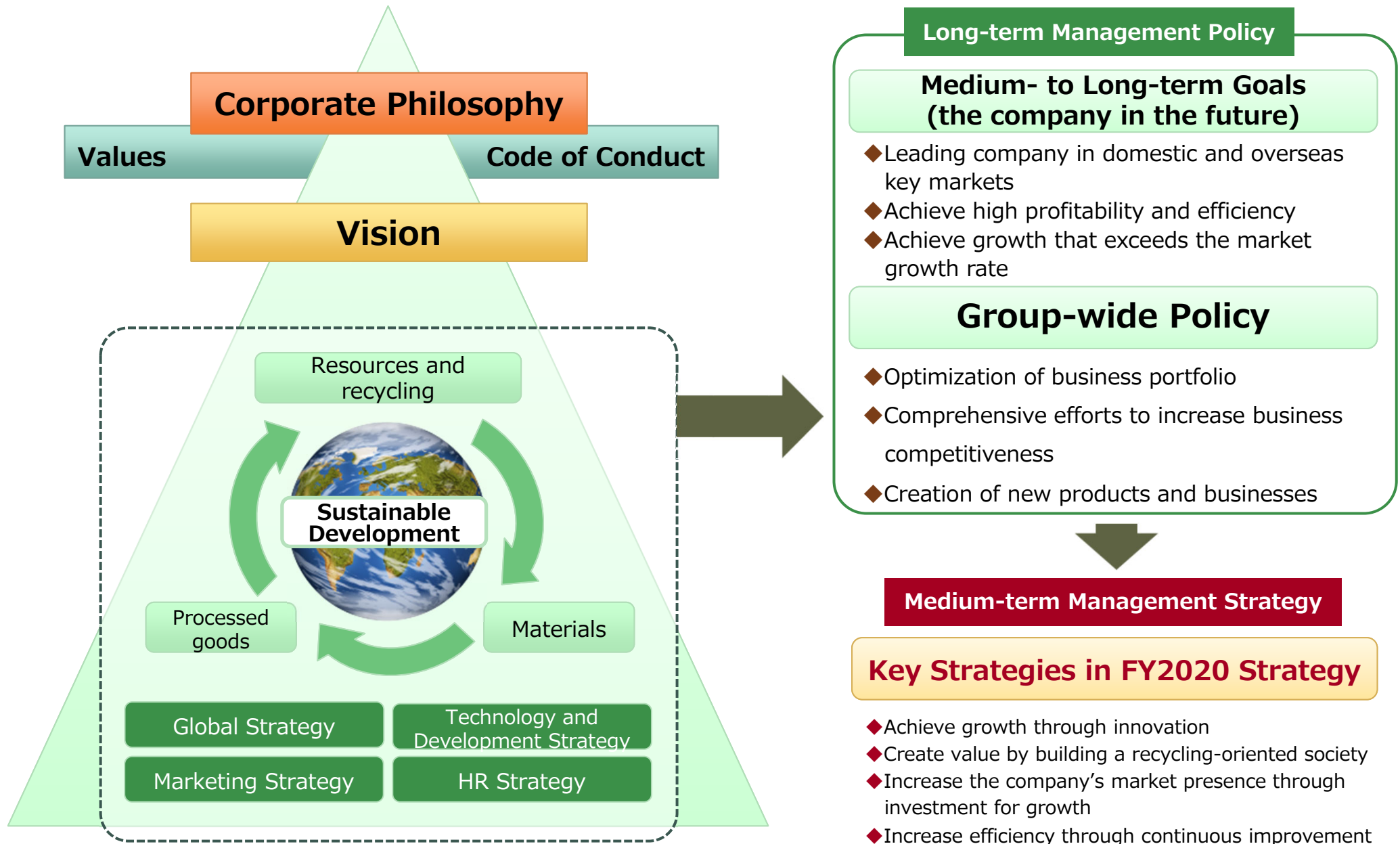
Overview of Medium-term Management Strategy for FY2021-2023 With Value Creation Process

(From the year ending March 31, 2021 to the year ending March 31, 2023)

Revised version

May 14, 2021

- I Review of Current Medium-term Management Strategy (FY2020 Strategy)**
- II Overview of New Medium-term Management Strategy (FY2023 Strategy)**



I Review of FY2020 Strategy : Results of Major Business Expansion and Progress of Key Strategic Measures

Segments	Executed key strategic measures	Delayed key strategic measures
Advanced Products Business	<ul style="list-style-type: none"> ● Acquired Special Products Division of Luvata ● Started collaboration with Denka Co., Ltd. for ceramic insulated circuit substrates with high thermal dissipation for environmentally friendly vehicles ● Pursued an absorption-type merger of Mitsubishi Shindoh, a consolidated subsidiary 	<ul style="list-style-type: none"> ● Synergies effect with Luvata (Cause of delay: ❶) ● Enhancement of thermistor sensor for automobiles and refrigerators for market expansion (Cause of delay: ❸)
Metal-working Solutions Business	<ul style="list-style-type: none"> ● Expanded recycling capacity of tungsten by 1.5 times ● Established technical centers in various markets ● Resolved to make Mitsubishi Hitachi Tools a wholly owned subsidiary 	<ul style="list-style-type: none"> ● Improvement of asset efficiency in manufacturing (Cause of delay: ❷)
Metals Business	<ul style="list-style-type: none"> ● Launched an E-Scrap sampling facility in the Netherlands ● Acquisition of stake in the Mantoverde copper mine in Chile 	<ul style="list-style-type: none"> ● Expansion of E-Scrap processing (Cause of delay: ❸)
Cement Business	<ul style="list-style-type: none"> ● Expanded waste plastic process capacity of Kyushu Plant by 1.7 times ● Expanded into Northern California area ● Signed a Letter of Intent with Ube Industries, Ltd. regarding integration of cement business, etc. 	<ul style="list-style-type: none"> ● Development of new overseas bases ● Improvement of the cement manufacturing technology in Japan and the US (Cause of delay: ❸)
Environment and Energy Business	<ul style="list-style-type: none"> ● Started joint development of recycling technology for lithium-ion battery ● Established a food waste biogas business company ● Started operations of Wasabizawa Geothermal Power Plant and construction of Appi Geothermal Power Plant 	<ul style="list-style-type: none"> ● Incineration fly ash cleaning plant for cement recycling (Cause of delay: ❸)
Group wide	<ul style="list-style-type: none"> ● Sold all shares in Mitsubishi Materials Real Estate Corporation ● Invested in Incubation Alliance Inc., which develops and manufactures Graphene ● Established New Business Development & Promotion Division and EV Material Development & Recycling Business Promotion Department ● Established MMC Innovation Investment Business Limited Liability Partnership ● Established Smart Factory Promotion Center 	

Cause of delay

- ❶ Insufficient marketing activities
 - ❷ Insufficient gathering of customer information
 - ❸ Insufficient ability to solve manufacturing problems on site
- etc.



Countermeasures

- Strengthen marketing
- Promote digitalization
- Fortify manufacturing excellence

I Review of FY2020 Strategy : Consolidated Performance

(Unit: billion yen)

		FY2018 Result	FY2019 Result	FY2020 Result	Estimated FY2020 (※1)
P/L	Consolidated net sales	1,599.5	1,692.9	1,516.1	1,620.0-1,840.0
	Consolidated net sales (excluding metal)	831.1	860.7	857.3	870.0-900.0
	Consolidated operating profit	72.8	36.8	37.9	86.0-95.0
	Consolidated ordinary income	79.6	50.6	49.6	82.0-100.0
ROA (ordinary income to total assets) (%)		4.1	2.6	2.6	4.5-5.0
ROE (%)		5.1	0.2	△12.8	7.0-8.0
Net D/E ratio (times)		0.6	0.6	0.8	0.7
Assumptions	Exchange rate (yen/\$)	111	111	109	100-120
	Exchange rate (yen/€)	130	128	121	120
	Copper price (¢ /lb)	292	288	266	250-270

※1 Estimated value at the time of publishing FY2020 Strategy

II Overview of FY2023 Strategy

- 1) Value Creation Process
- 2) Mission (Corporate Philosophy System)
- 3) Financial Plan
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- 5) Corporate Division's Strategy
- 6) Governance

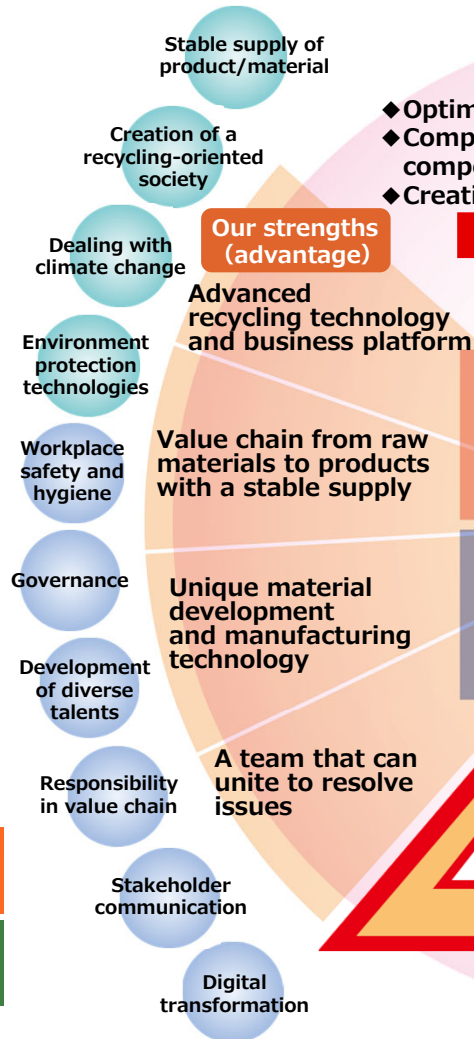
Value Creation Process

Social issues to be solved and SDGs

- Advancing mobility
- Advancement and diversification of digital devices
- Automation of production and business processes
- Longer lifespans of people and buildings
- Effective measures against disasters
- Efficient treatment of urban waste
- Efficient use of mineral resources and alternative substances
- Efficient use of energy resources
- Development of renewable and unutilized energies
- CO₂ emissions reduction



Materiality

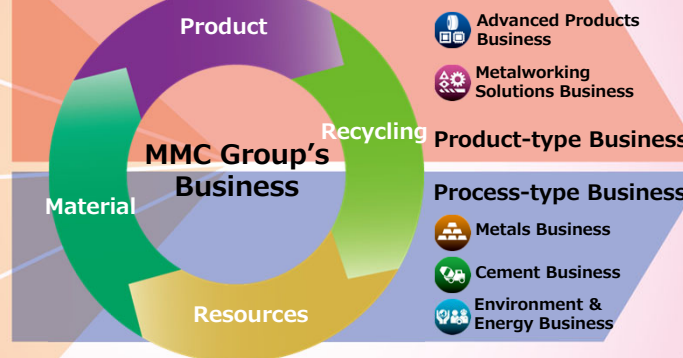


[Group-wide Policy]

- ◆ Optimization of business portfolio
- ◆ Comprehensive efforts to increase business competitiveness
- ◆ Creation of new products and businesses

Long-term business goals

Long-term strategy



FY2023 Strategy

Business Strategies

Corporate Strategies^{※1}

Governance^{※2}

- (※1) Digital Transformation strategy, Manufacturing excellence strategy, Quality management strategy, R&D and marketing strategy, and Human resources strategy
(※2) Strengthening of corporate governance and group governance

Corporate Philosophy
For People, Society and the Earth

Vision

We will become the leading business group committed to creating a sustainable society through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth

Mission

Create both social and economic values

Products & Services

High-function products for automobiles and electronics

Processed products and services for productivity improvement and environmental protection

Nonferrous metals products made with smelting process with a low environmental load

Base material for construction

Recycling system

Renewable energy

Value Proposition

Convenience & comfort

Safety & security

Conservation of resources

Waste recycling

Greenhouse gas reduction

Contribute to build a prosperous society

Contribute to build a recycling-oriented society

Contribute to build a decarbonized society

2030~2050

Social issues and Materiality

MMC Group's Business

Output

Outcome

Mission

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For People, Society and the Earth

We will become the leading business group committed to creating **a sustainable society** through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth

Create both social and economic values

Contribute to build a prosperous society by providing nonferrous metal materials, predominantly copper, and high value-added functional materials and products.

Contribute to build a recycling-oriented society by providing recyclable products and advanced technology-based waste recycling.

Contribute to build a decarbonized society by developing and promoting the use of renewable energies such as geothermal energy, and ensuring to consider the reduction of environmental impact in manufacturing.

<Group-wide Policy>

- ◆ Optimization of business portfolio
- ◆ Comprehensive efforts to increase business competitiveness
 - > Manufacturing excellence, quality management, and digital transformation strategies
- ◆ Creation of new products and businesses
 - > R&D and marketing strategy

Corporate
Philosophy

Vision

The image of what
we want to be

Mission

Concrete goals based
on corporate
philosophy and vision

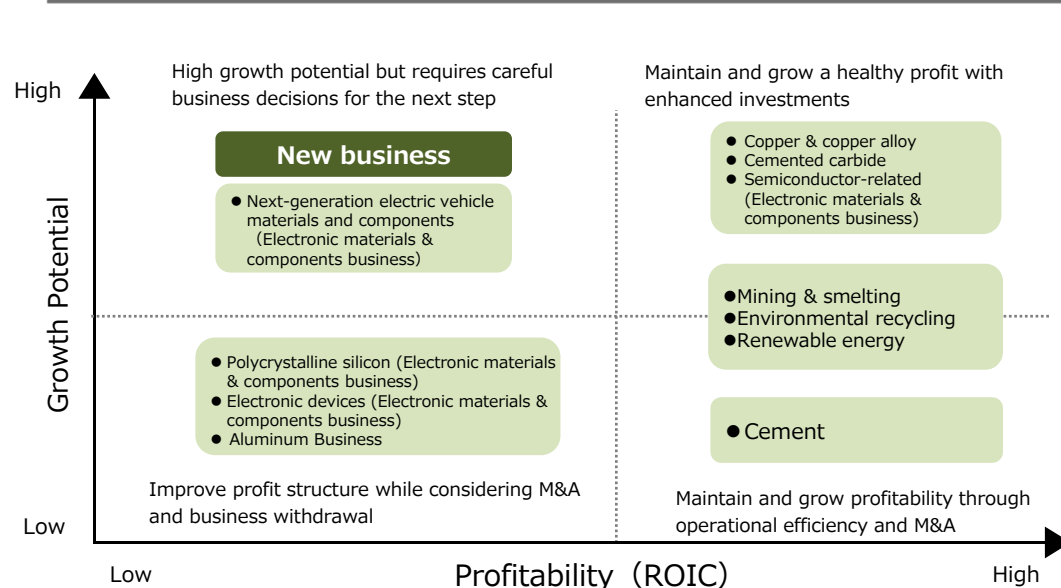
Group-wide Policy

Long-term
business target

Long-term strategy

FY2023 Medium-term
management strategy

Status of business portfolio optimization



【Characteristics of businesses that the company should take ownership of】

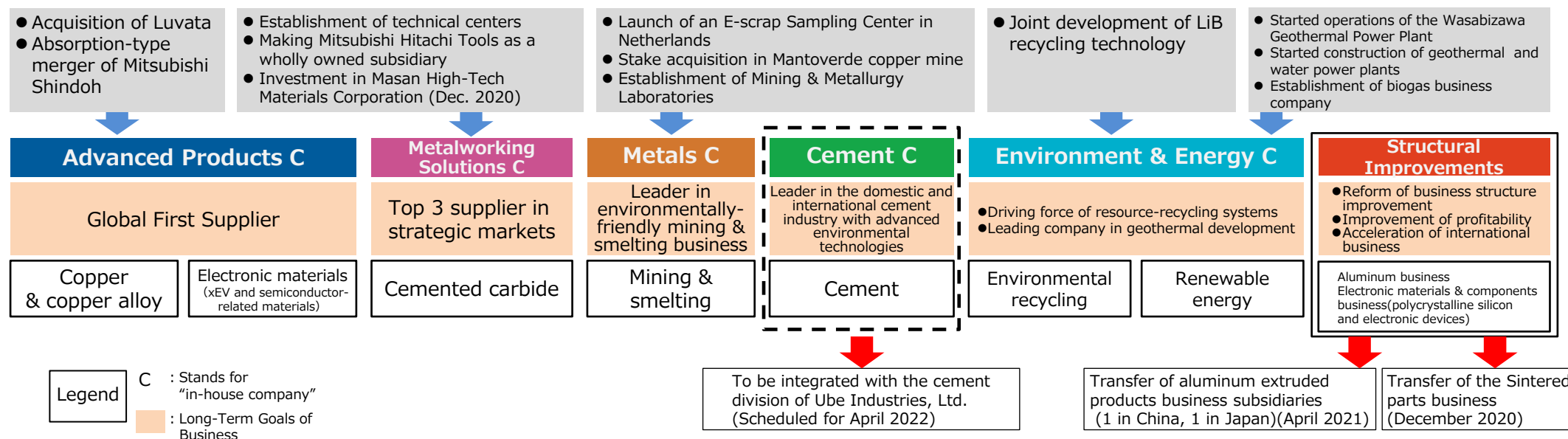
- Businesses that are consistent with the Group's vision and mission
- Businesses that are governable by the Group
- Businesses that are capable of earning a leadership role in a specific region or the world
- Businesses that can deliver stable returns over capital costs on a medium- to long-term basis

【Building business portfolio】

- Profitability and growth potential determine the business direction
- Profitability is measured by ROIC (spread)
- Growth potential is measured by EBITDA growth rate, etc.

The Electronic materials & components business is a complex business entity comprised of multiple businesses. The company positioned its entire business as a single unit in the original FY2023 Strategy. At this time of review, the company subdivided the Electronic materials & components business from the point of ownership, development recourses, relevance to the Company's technology, profitability and growth potential, and clarified its positioning in the business portfolio. Going forward, the Company will manage each business depending on such positioning.

Reformation of business structure












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Financial Plan : (Consolidated) Financial Goals

(Unit: billion yen)

		FY2020 Result	FY2021 Result	FY2023 Target (※1)	Change rate from FY2020	Remarks
ROIC (%)		3.8	3.8	4.0	+0.2points 	
ROA (ordinary income to total assets) (%)		2.6	2.3	2.0	-0.6points 	
ROE (%)		-12.8	4.6	6.0		
PL	Net sales	1,516.1	1,485.1	1,410.0	-7% 	【Ordinary income fluctuation factors】 Market conditions 5.5 Metal prices 3.0 Exchange rate 2.0 Dividend from mine -5.5 Impact of the change in accounting treatment of cement business becoming a minority share holding -10.0 Others -6.6 Total -11.6
	Net sales (excluding metal)	857.3	795.1	600.0	-30% 	
	Operating profit	37.9	26.5	29.0	-23% 	
	Ordinary income	49.6	44.5	38.0	-23% 	
BS	Total assets	1,904.0	2,035.5	1,820.0	-4% 	
	Net interest-bearing debt	413.1	476.3	360.0	-13% 	
	Shareholders' equity	506.7	545.2	560.0	+11% 	
Net D/E ratio (times)		0.8	0.9	1.0 or less		
Assumptions	Exchange rate (yen/\$)	109	106	110		【Sensitivity】 ◆ 1 yen increase in USD/JPY exchange rate: +0.8 billion yen ◆ 10¢/lb increase in copper price (LME) : +1.6 billion yen (Ordinary income)
	Exchange rate (yen/€)	121	124	130		
	Copper price (¢/lb)	266	312	330		

※1 Assuming transition to equity method in cement business

Financial Plan : (Consolidated) Financial Indicators

- Focus on medium- to long-term profitability and growth potential
- Profitability is measured by ROIC and growth potential by EBITDA, etc., for each business
- Complementary use of ROA in process-type businesses
- ROIC/ROE/ROA are used together as group-wide financial indicators

		FY2018-2020 Average	FY2023 Target
The whole MMC group	ROIC	4.2%	4.0%
	ROA	3.1%	2.0%
	ROE	-2.0%	6.0%

<Main Businesses>

		FY2018-2020 Average	FY2023 Target	By business division KGI	FY2018-2020 Average	FY2023 Target
Advanced Products Business	Copper & Copper alloy	3.8%	3.0%	EBITDA	14.4 billion yen	14.0 billion yen
	Electronic materials	2.5%	4.2%	EBITDA	4.1 billion yen	11.0 billion yen
Metalworking Solutions Business	Cemented Carbide	8.3%	5.3%	EBITDA	28.1 billion yen	22.0 billion yen
Metals Business		25.0%	12.9%	ROA※1	8.9%	7.2%
Environment & Energy Business	Environmental Recycling	1.4%	2.4%	ROA	2.0%	2.8%
	Renewable energy	4.3%	2.6%	ROA	5.6%	3.3%

ROIC = NOPAT / invested capital

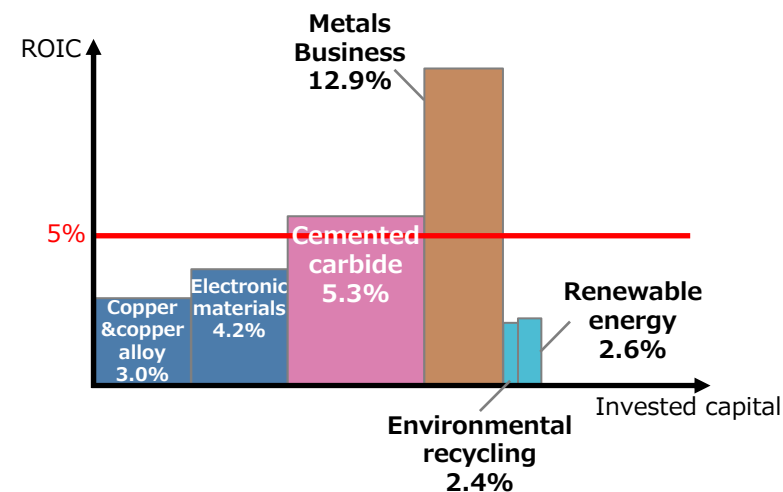
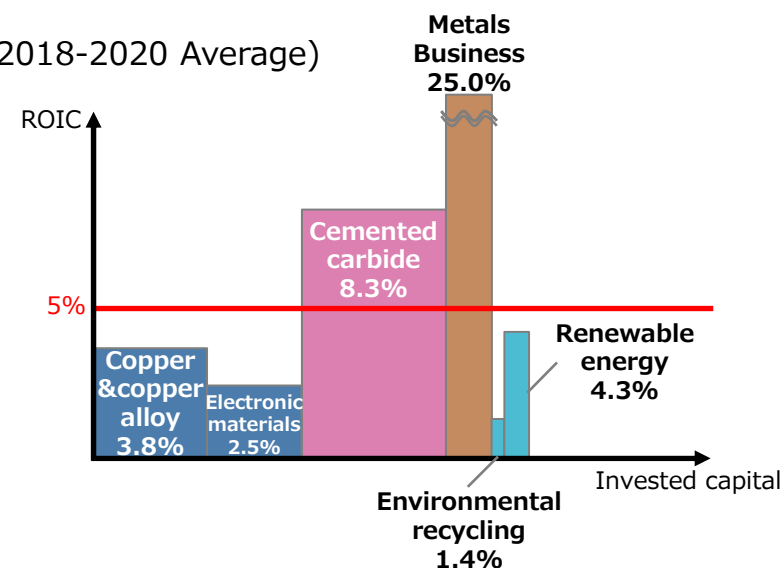
NOPAT : (Ordinary profit + interest on funds) × (1-effective tax rate)
Profit before tax includes share of profit/loss of investments accounted for using equity method and dividend income

Invested capital : Excludes amount equivalent to inventories that are risk-free because of price hedging

※1 Calculated by excluding the price of bullion

Changes in ROIC of main businesses in FY2023 Strategy

(FY2018-2020 Average)



Investment Policy

- Make investments using cash flows from operations, and proceeds from business restructuring and asset sales
- If there are other attractive large-scale investment projects for growth, investments will be made proactively as long as a net D/E ratio of 1.0 times or less is maintained

◆ Cumulative cash flows from FY2021 to 2023

(Unit: billion yen)

Cash in	
Operating CF	240
Others※1	145
Total	385

Cash out		
Investing CF	Investment for growth	195
	Investment for maintenance and upgrading	160
	Subtotal	355
Financing CF	Dividends ※2	42
Total		397

※1 Business restructuring, sales of strategic holdings, etc.

※2 Dividends paid, share buybacks, and dividends paid to non-controlling shareholders

◆ Cumulative investment plan from FY2021 to 2023

Total Investment 355					
Maintenance & upgrading 160			Growth Strategy 195		
22% (Copper & copper alloy 13, Electronic materials 9)	23%		26%	13%	5% (Affiliated 1, Aluminum6, Group-wide5)
Advanced Products	Metalworking Solutions		Metals	Cement	Others
				Environment & energy	

Shareholder return Policy

- The Company will set the minimum annual dividend amount for the period of FY2023 Strategy at 50 yen per share
- By accelerating the sale of assets, among others, and making expeditious allocations of funds including share buybacks and additional dividends, the Company aims to return profits to its shareholders at the same level as the total amount of dividends initially planned during the period of FY2023 Strategy.

	FY2020 (actual)	FY2021-2023
Dividends	80yen/share	50yen/share

Strategic holdings
























- Unless required for strategic objectives, MMC will not acquire or hold shares other than purely for investment purposes
- Result of reduction in FY2020: 12%
- Result of reduction in FY2021: 54%

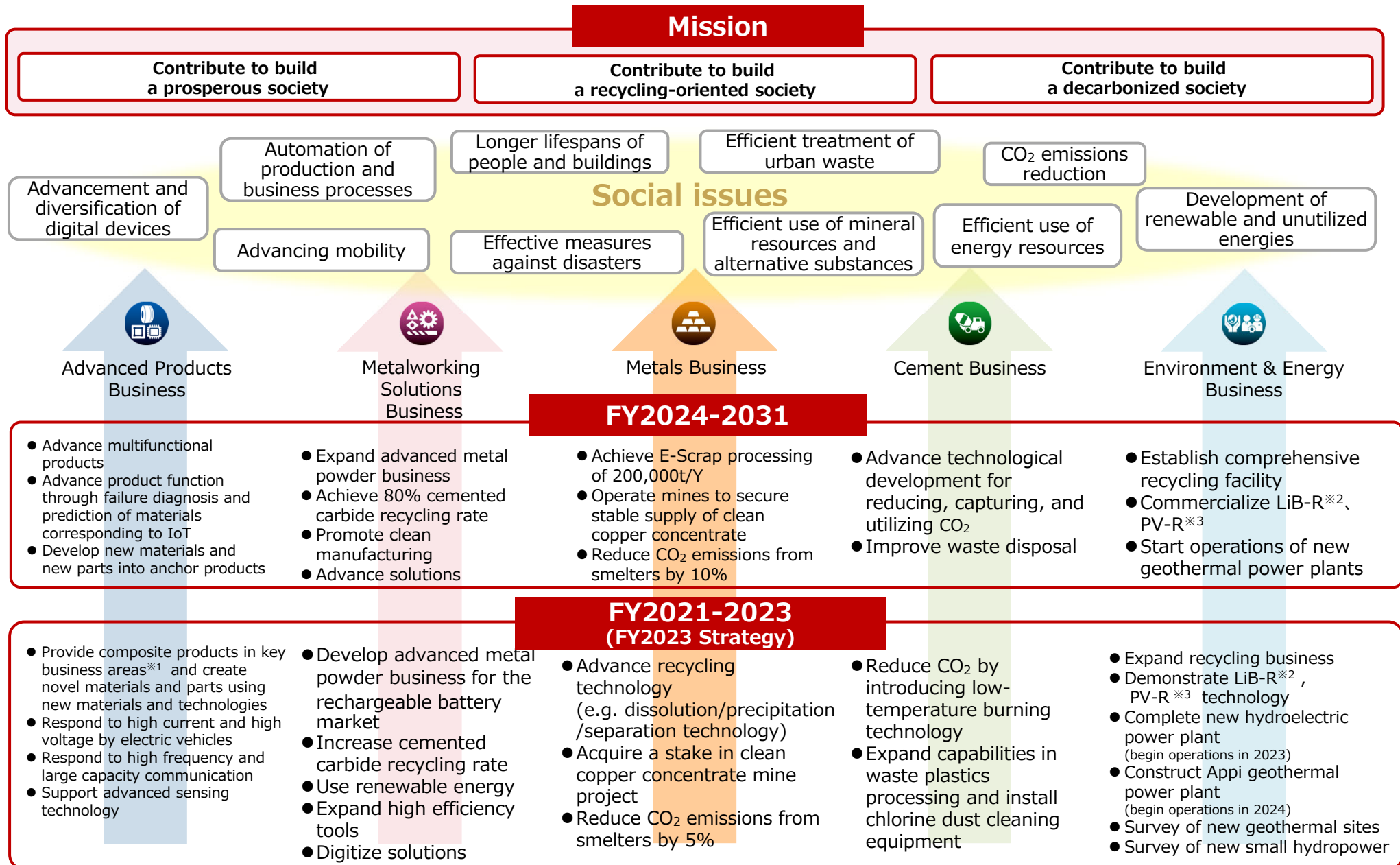
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Business Strategy : Long-term Business Goals

Long-term Strategy and ESG/SDGs

	Long-term business goals	Long-term strategy	ESG/SDGs			Mission		
			E (Environment)	ES (Society)	S	Contribute to build a prosperous society	Contribute to build a recycling-oriented society	Contribute to build a decarbonized society
Advanced Products Business	Global First Supplier	<ul style="list-style-type: none"> Create new businesses and products through the sophistication and integration of our core competencies (e.g. production and development of oxygen-free copper, oxygen-free copper base alloys, and functional materials as well as technical capabilities such as bonding different metals, etc.) Accelerate marketing activities to replicate successful practice 	 	 		<ul style="list-style-type: none"> Advance and diversifying mobility and digital devices Automate production and business processes 	<ul style="list-style-type: none"> Develop and use materials with low environmental impact Efficiently use mineral resources and alternative resources 	<ul style="list-style-type: none"> Efficiently use energy resources Reduce CO₂ emissions Develop and supply products that contribute to decarbonization
Metalworking Solutions Business	Top 3 supplier in strategic markets	<ul style="list-style-type: none"> Promote clean manufacturing Provide high-efficiency products with advanced technology Expand advanced metal powder business in electronic devices 	 	 		<ul style="list-style-type: none"> Provide high-efficiency products and digital solutions 	<ul style="list-style-type: none"> Promote the use of recycled cemented carbide materials 	<ul style="list-style-type: none"> Promote manufacturing renewable energy Expand electrification business by advanced metal powder technology
Metals Business	Leader in environmentally-friendly mining & smelting business	Stable supply and recycling of nonferrous metal materials, predominantly copper <ul style="list-style-type: none"> Creation of a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap Promotion of recycling Response to climate change 	 	 		<ul style="list-style-type: none"> Provide copper-based materials for advanced products 	<ul style="list-style-type: none"> Provide recyclable products Recycle waste 	<ul style="list-style-type: none"> Promote the development and use of CO₂ reduction technologies Achieve manufacturing that considers environmental load
Cement Business	Leader in the domestic and international cement industry with advanced environmental technologies	<ul style="list-style-type: none"> Stable supply of basic building materials for social infrastructure and disaster prevention infrastructure Sophistication of waste disposal Response to climate change by reducing CO₂ Construction of a resilient domestic business foundation through business restructuring and business growth in overseas markets 	 	 		<ul style="list-style-type: none"> Create a safe, secure, and functional city 	<ul style="list-style-type: none"> Recycle waste Promote sustainable resource recycling 	<ul style="list-style-type: none"> Reduce CO₂ emissions by improving manufacturing processes
Environment and energy Business	(Environmental recycling) Driving force of resource-recycling systems (Renewable energy) Leading company in geothermal development	<ul style="list-style-type: none"> Provision of a safe recycling system with thorough traceability, etc. Decarbonization by expanding renewable energy business 	 	 		<ul style="list-style-type: none"> Ensure a stable supply of clean energy and recycled products 	<ul style="list-style-type: none"> Solve urban waste problems Build a sustainable social system 	<ul style="list-style-type: none"> Provide renewable energy



※1...Next-generation automobile, semiconductor / electronics, industrial machinery / infrastructure
 ※2...Li-ion battery recycling ※3... Solar panel recycling



Sales volume of copper materials for new HV/EV

1.2 times or more

FY2020 Result
989t

FY2023 target
1,200t



Sales volume of materials for next-generation vehicles and environmentally friendly products

1.3 times or more

FY2020 Result*1
4.2billion yen

FY2023 target
5.6 billion yen



Ratio of recycled tungsten as raw material in cemented carbide tools

Up 25%

FY2020 Result
28%

FY2023 target
35%



E-Scrap processing capacity

Up 25%

FY2020
160,000t

FY2031 target
200,000t



Waste and by-products processing volume in cement production

Up 15%

FY2020 Result
3.9million tons

FY2031 target
4.5 million tons
(FY2020 production volume basis)



Annual processing volume of home appliance recycling

Up 27%

FY2020 Result
2.8million units

FY2023 target
3.5 million units



Annual total power generated by renewable energy

Up 22%

FY2020 Result
437GWh

FY2031 target
533GWh

Greenhouse Gas (GHG) Reduction Target

- Target setting for becoming a carbon neutral company by FY2051
- Aiming to reduce GHG emissions by 17% or more by FY2031 for the entire Group (compared with FY2014)
- Striving for at least 30% reduction in the Advanced Products and the Metalworking Solutions Businesses, where energy-derived emissions predominate

※1 Reviewed definition of the applicable automotive device products

※2 Revised definition of the generation volume of each business (power generation and geothermal steam supply) multiplied by the Company's ownership share



Global First Supplier

Long-term Strategy

- Create new businesses and products through the sophistication and integration of our core competencies
(e.g. production and development of oxygen-free copper, oxygen-free copper base alloys, and functional materials as well as technical capabilities such as bonding different metals, etc.)
- Accelerate marketing activities to replicate successful practice

Specific Measures of the FY2023 Strategy

- Assign key account managers acting cross-sectionally
- Enhance information analysis by digital marketing such as the employment of AI or IoT
- Share product roadmaps with customers (co-creation capabilities)
- Develop new products through collaboration with Central Research Institute
- Fortify production capabilities such as establishing a mass production system and improving productivity
- Pursue opportunities to execute M&A or business alliances

Projected Achievements at the End of FY2023

In our main business fields※, we will have:

- Earned customers' trust
- Released new products by integrating our technical capabilities
- Generated new applications of our products

※ Next-generation vehicles, semiconductors/electronics, industrial machinery/infrastructure

**Key
measures**

Large-scale investment in core business (copper & copper alloy)
Collaboration among global footprint (incl. manufacturing, selling and developing bases)

**Key strategies
for copper &
copper alloy
business**

**Expand copper alloy
sales**

- Seamless value chain by integrating Mitsubishi Shindoh
- Agile investment with direct market information

**Execute large-scale
investments**

- Expanding rolling business
- Restructuring of extrusion business
(A capital investment plan of approximately 30 billion yen will be implemented in accordance with changing circumstances.)

**Accelerate global &
downstream business**

- Strengthening and optimizing value chain
- Enhancing cooperation with the Luvata Group

**Enhance marketing &
technical development
function**

- Development of new users
- Advancing new product developments by identifying next-generation market needs

Acting promptly to market needs
(Next-generation vehicles, AI/IoT, environmental load reduction, etc.)



Top 3 supplier in strategic markets

Long-term Strategy

- Promote clean manufacturing
- Provide high-efficiency products with advanced technology
- Expand advanced metal powder business in electronic devices

Specific Measures of the FY2023 Strategy

- Increase recycling rate in our tool recovery system and utilize renewable energy
- Provide high efficiency tools and digital solutions
- Transition to smart factory and optimization of logistics and supply chain
- Expand advanced metal powder business to rechargeable battery market

Projected Achievement at the End of FY2023

- Establishment of a competitive global business base capable of expanding in strategic markets using digital technologies

Key measures

- Expansion of the utilization of new technologies and services that can solve customer issues
- Enhancement of the global supply system and functions

Expansion in strategic market

Automotive, aerospace, medical and die & mold industries

- Reinforce marketing functions focused on target customers
- Expand manufacturing and sales capability through M&A or other measures
- Use digital technologies for technical assessments and simulations
- Expand advanced metal powder business

Strategic investment in markets with high growth potential

Build a competitive global business foundation

- Develop a global recycling system of the used cemented carbide tools
- Use digital technologies to achieve high quality and efficient manufacturing processes
- Optimize global logistics and supply chain in response to market fluctuations
- Establish manufacturing BCP to maintain stable supplies
- Encourage global collaboration of technical center functions

Global Technical Support Network





Leader in environmentally-friendly mining & smelting business

Long-term Strategy

Stable supply and recycling of nonferrous metal materials, predominantly copper

- Creation of a sustainable raw material portfolio consisting of clean copper concentrate and E-Scrap
- Promotion of recycling
- Response to climate change

Specific Measures of the FY2023 Strategy

- Secure clean copper concentrate by investing in new mines
- Develop impurity removal technology in copper concentrate
- Optimize valuable metal material flow
- Reduce fossil fuels

Projected Achievement at the End of FY2023

- Optimization of valuable metal material flow derived from E-Scrap
- Reduction of smelter CO₂ emissions by 5%

Key measures

Stable procurement of raw materials and optimization of smelting process

Stable supply of materials

Secure clean copper concentrate by investing in new mines

- Acquisition of stake in the Mantoverde copper mine
- Implementation of Zafranal project



Expand opportunities to participate in blue-chip projects

- Invest from the early stages of projects
- Organize consortium

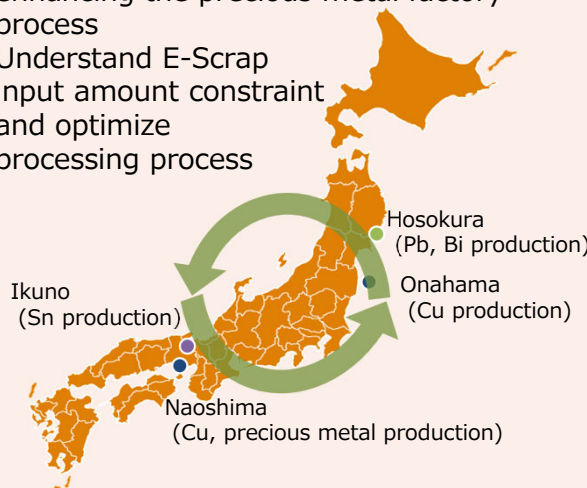
Develop impurity removal technology in copper concentrate

- Establish Mining & Metallurgy Laboratories (expansion of resource technology development), and conduct joint research with a third party
- Develop/train resource engineers

Promotion of recycling

Optimize material flow

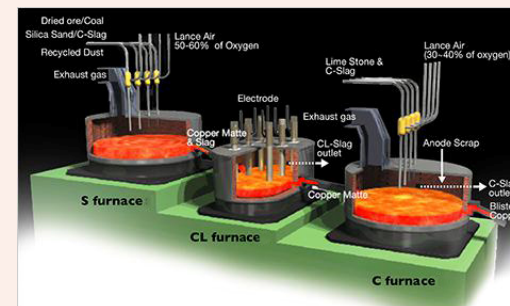
- Material grid
Optimize material flow connecting each smelter and enhance the recovery of valuable metals at each smelter
→ Efficient recycling of Cu, precious metals and trace components in E-Scrap
- Improve the yield of Au and Ag by enhancing the precious metal factory process
- Understand E-Scrap input amount constraint and optimize processing process



Response to climate change

Demonstrate the superiority of the Mitsubishi process

Utilize the environment-friendly Mitsubishi Process



Reduce fossil fuels

- Replace fuel with recycled oil, etc.
- Substitute fuel using E-Scrap

Improve energy conversion efficiency

- Improve heat transfer efficiency of boiler
- Improve power generation efficiency

Improve energy use efficiency

- Efficiently use steam
- Improve electrolysis current efficiency

Use renewable energy

Improve the ratio of stable raw-material procurement

Amount of copper contained with copper concentrate under off-take* or long-term contract, and E-Scrap
Amount of total copper production

※Off-take: long-term takeover rights linked to mine investment interests



Leader in the domestic and international cement industry with advanced environmental technologies

Long-term Strategy

- Stable supply of basic building materials for social infrastructure and disaster prevention infrastructure
- Sophistication of waste disposal
- Response to climate change by reducing CO₂
- Construction of a resilient domestic business foundation through business restructuring and business growth in overseas markets

Specific Measures of the FY2023 Strategy

- Improve and optimize production system through domestic business restructuring
- Expand capabilities in waste plastic processing and installation of chlorine dust cleaning equipment
- Introduce low-temperature burning technology and develop CO₂ reduction, capture, and recycling technologies
- Expand US business and develop new overseas bases

Projected Achievement at the End of FY2023

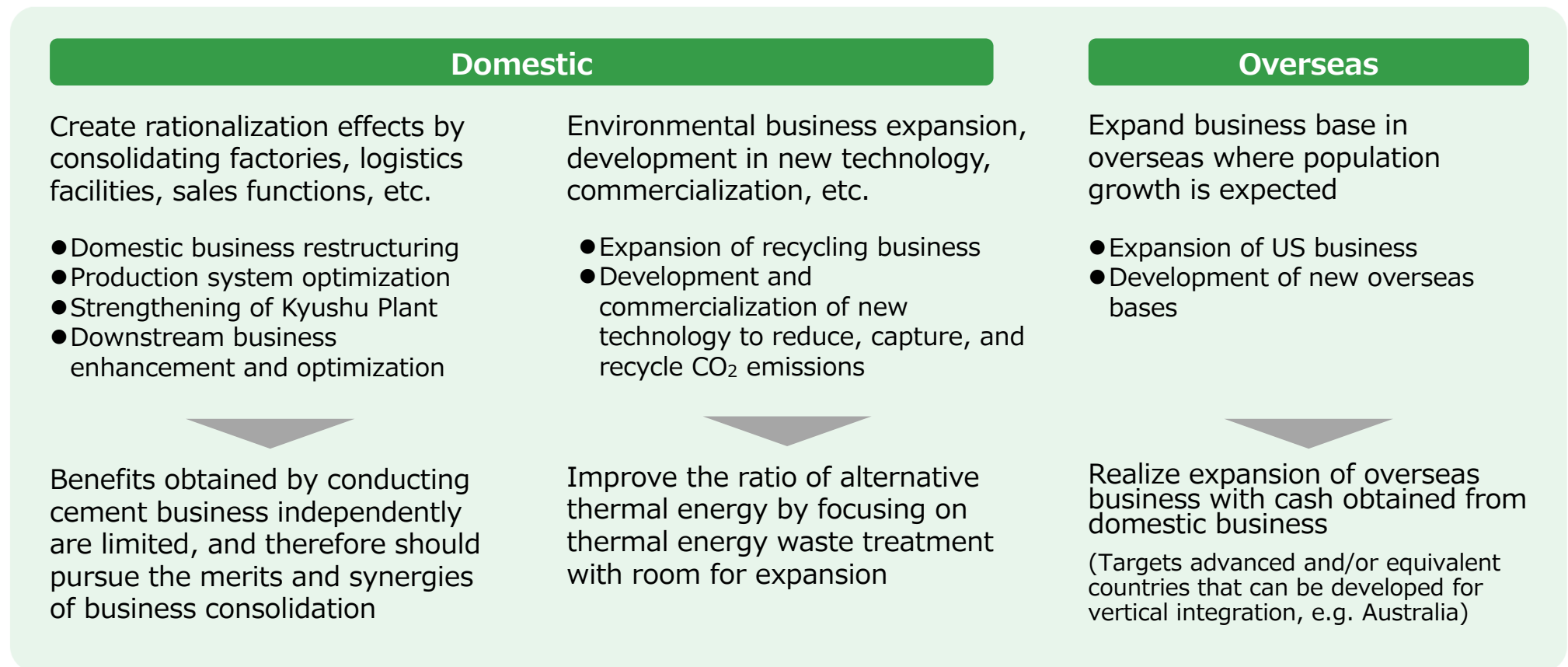
- Domestic business restructuring
- Optimized production systems and promotion of overall business efficiency

Key measures

Reorganization of domestic business and development of new overseas bases

Reorganize the domestic business, optimize the production system, and establish a stable profit base through economies of scale in order to respond to the demand decrease for cement in Japan

Secure domestic advantage and grow overseas markets through the expansion of US and overseas businesses





(Environmental recycling) **Driving force of resource-recycling systems**
(Renewable energy) **Leading company in geothermal development**

Long-term Strategy

- Provision of a safe recycling system with thorough traceability, etc.
- Decarbonization by expanding renewable energy business

Specific Measures of the FY2023 Strategy

- Expand home appliance recycling business, advancement of automation, and improvement of added value of recovered products
- Demonstrate LiB recycling technology and solar panel recycling technology
- Secure stable plant operations in fly ash recycling business and biogasification business
- Complete Komatagawa new hydroelectric power plant, construction of Appi geothermal power plant, survey of new geothermal sites, and survey of new small hydropower

Projected Achievement at the End of FY2023

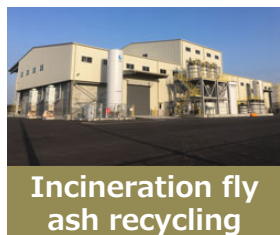
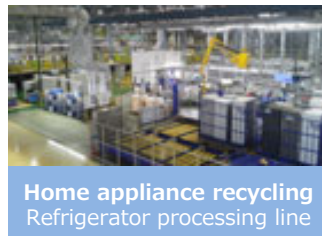
- Establishment of a stable business base for the environmental recycling business
- Expansion and stable operations of renewable energy plants and search for new geothermal sites and new small hydropower

Key measures

- Enhanced competitiveness and expansion of environmental recycling businesses
- Completion of Komatagawa new hydroelectric power plant, construction of Appi geothermal power plant, and survey of new geothermal sites

Environmental recycling initiatives

By making the most of the characteristics and functions of the materials company, we will contribute to the construction of a recycling-oriented society by developing and expanding the recycling business that does not rely on final disposal sites and can be trusted by stakeholders.

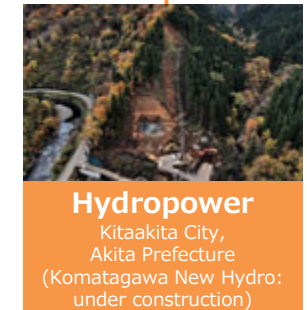
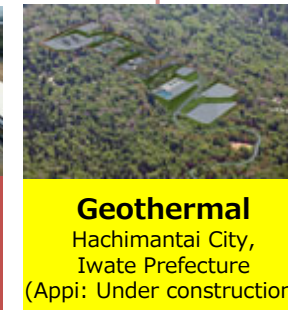
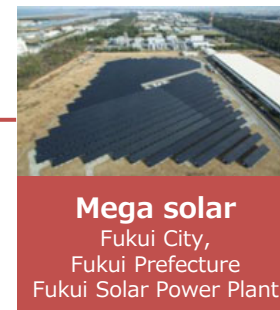


- : Home appliance recycling
- : Car recycling
- : Incineration fly ash recycling
- : Biogas

- ▲ : Geothermal
- (▲) : Under investigation
- ▲ : Hydropower
- ▲ : Mega Solar

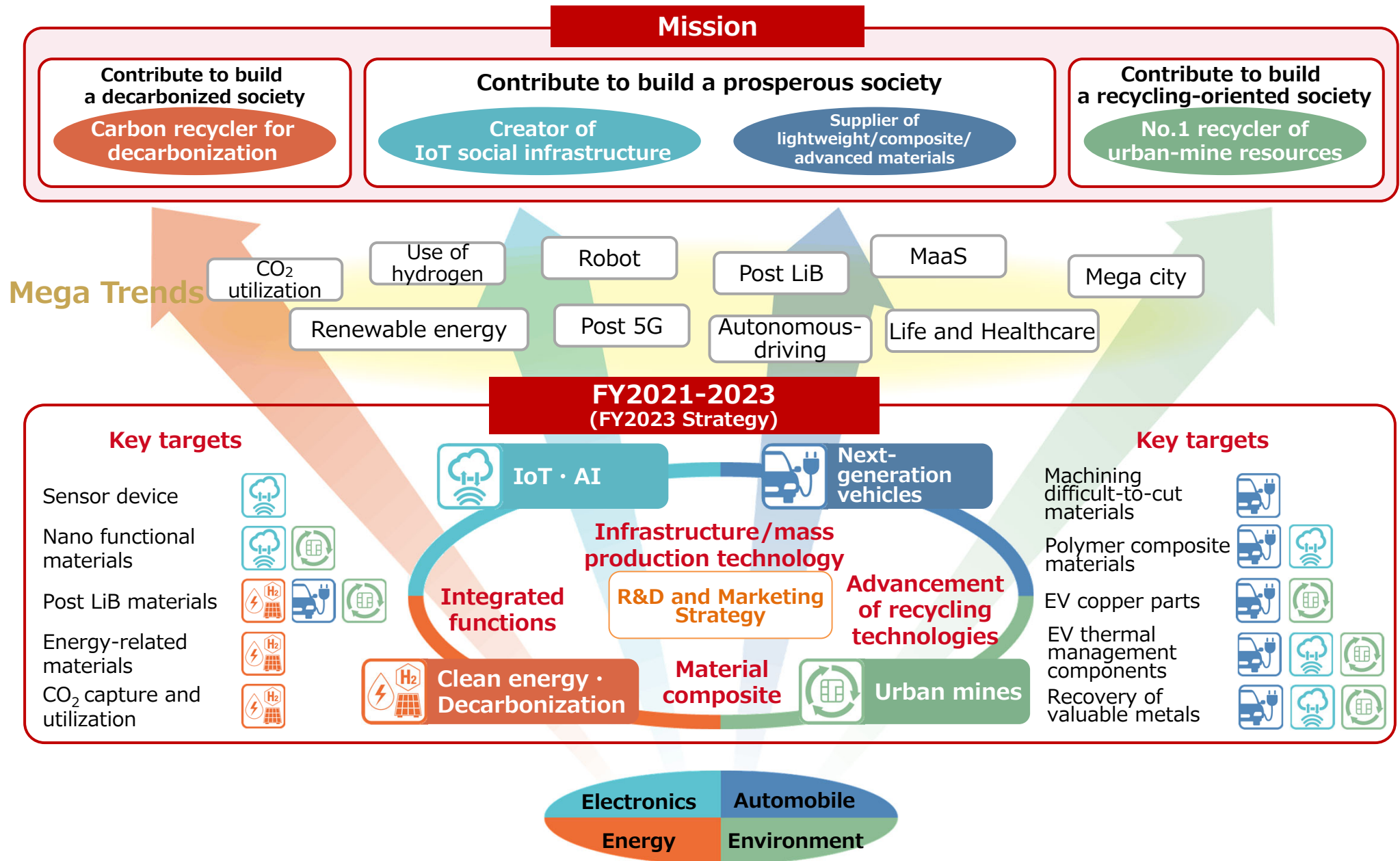
Renewable energy initiatives

Based on the management resources we have cultivated, we will expand the renewable energy business and contribute to the construction of a decarbonized society by providing a stable energy supply with a low environmental impact.



II Overview of FY2023 Strategy

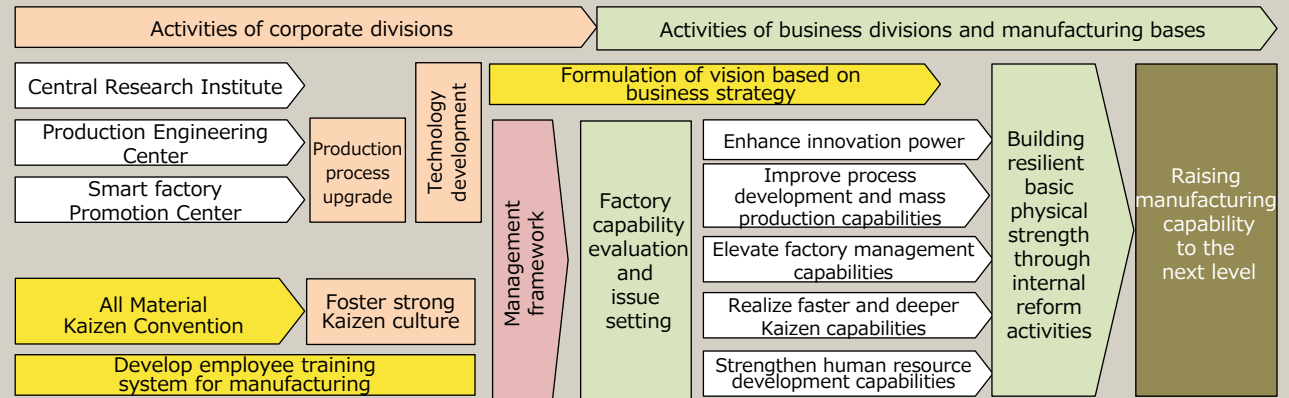
- 1) Value Creation Process
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Manufacturing excellence strategy

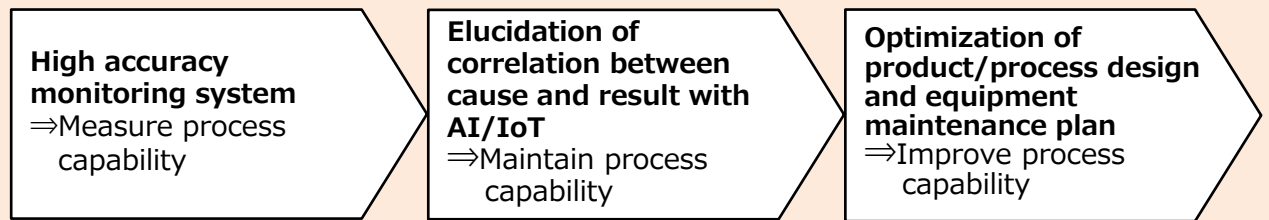
Raise manufacturing capability to the next level

- Formulation and realization of the factory vision based on its business strategy
- Enhancement of production process
- Proactive utilization of external knowledge



Quality management strategy

Proactive quality management to ensure that non-conforming products are not produced

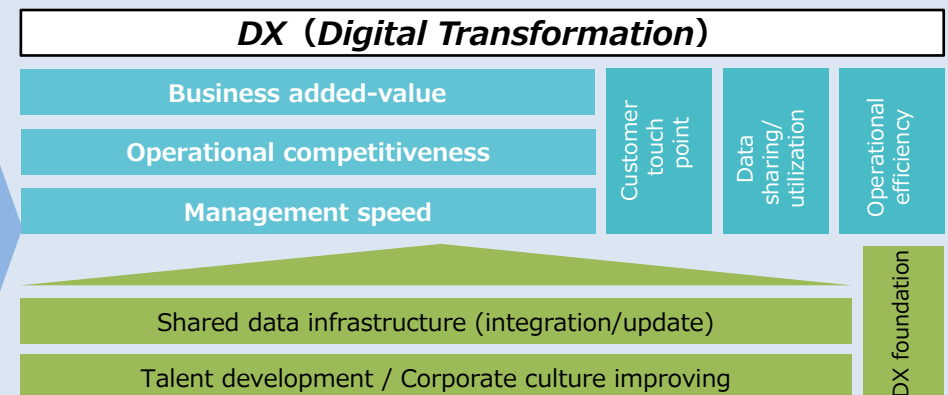
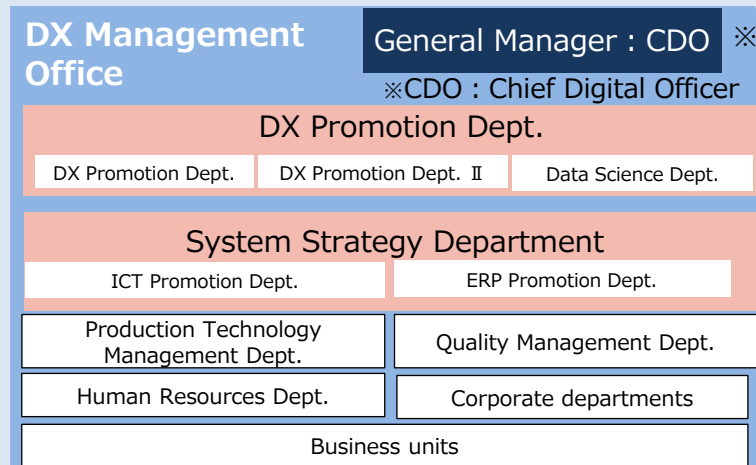


Digital Transformation (DX) strategy

- Use Digital Transformation to strengthen three key pillars: (1) Business added-value (2) Business operations competitiveness (3) Management speed

- Investment of more than 40 billion yen over the next six years

- Approx. 100 digital professionals



Digital Transformation Strategy : 21 MMDX* Themes and Key Perspectives

*MMDX: Mitsubishi Material Digital Business Transportation

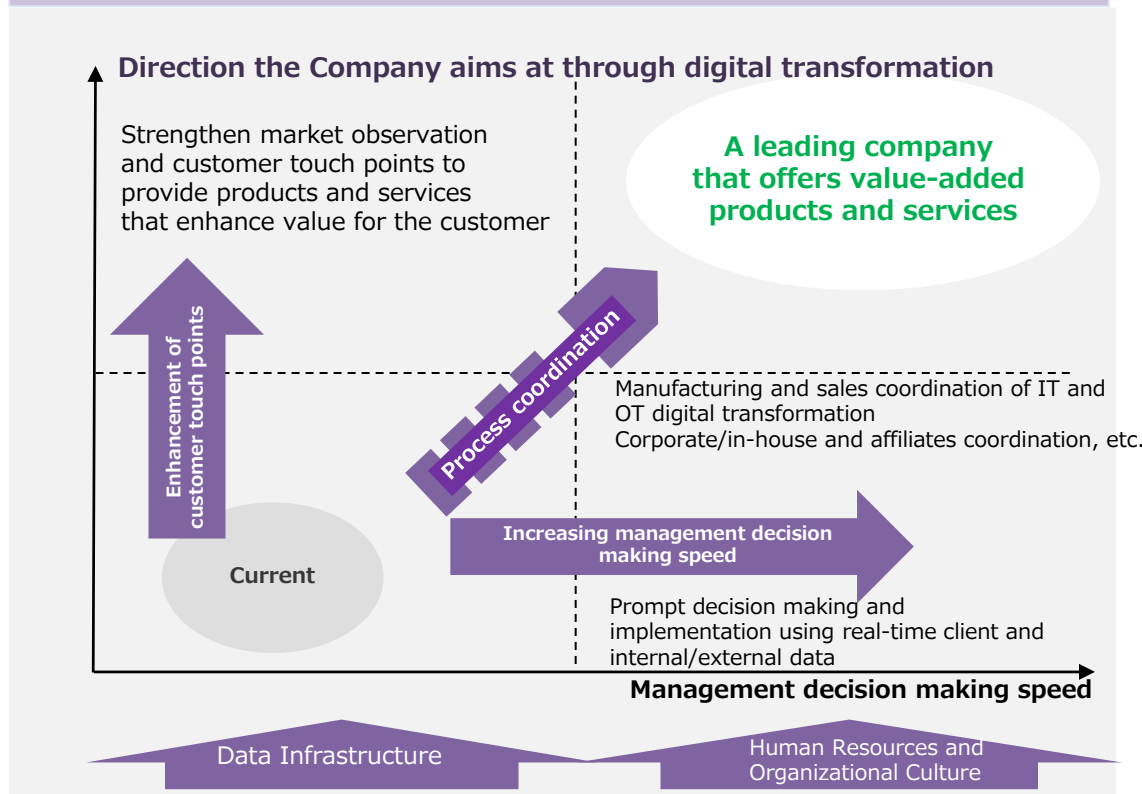
Summary of MMDX Themes As of April 2021

Business Digital Transformation	Product-based business	Metalworking C DX	1. MI*2 : Digital customer touch points
		Advanced Products C DX	2. MI*2 : Utilization of market information
			3. Ability to propose solutions
			4. Demand and supply management
	5. Improvement of customer touch points		
	6. Supply chain integration		
	Companywide	7. Advance development and production data utilization	
		8. Income platform	
	Recycling-Based Business	9. Companywide standardization	
		10. Strengthening E-Scrap processing	
11. Environmental recycling digital transformation			
Advancement of Manufacturing Excellence (Including digital technology utilization for process-oriented businesses)		12. Security and safety	
Key Operations		13. Maintenance	
Data Infrastructure		14. Advance procurement	
Operational Efficiency		15. Digital transformation of the Central Research Institute	
Human Resource Base		16. ERP	
		17. Upgrading of business administration	
		18. Data infrastructure and utilization	
		19. Operational efficiency	
		20. Talent management	
		21. Digital transformation talent development and literacy improvement	

Key Points for Implementing Measures

- Review the entire business processes with a focus on “getting closer to customers”
- Create a foundation for catching up with competitors and winning on a global scale
- Strengthen the management foundation through safety and security, enhanced business management, and increased efficiency

Theme and Key Perspectives for MMDX



*2 MI : Market intelligence

- Make appropriate addition, integration and elimination of MMDX themes in response to the changes in the business environment and the progress of each theme
- Under the MMDX plan, the company plans more than 40 billion yen investment over six years starting from FY2021.
- Developing 100s of digital human resources, including business and system-related digital transformation leaders and data scientists, through MMDX implementation

Digital Transformation Strategy : Master Schedule of the Entire MMDX

		Stage 1						Stage 2		
		FY2021		FY2022		FY2023		FY2024	FY2025	FY2026
		First half	Second half	First half	Second half	First half	Second half			
		Initial stage of MMDX implementation ✓ First, create a strategy to catch-up and a foundation to surpass competitors ✓ Solidify the management base, including security and safety, data infrastructure, and business administration						Full-scale operation phase of MMDX ✓ Introduction of key systems (ERP) ✓ Acceleration of MMDX in the Group		
Business Digital Transformation	Product-based business (Metalworking Solutions and Advanced Products)	• Implementation of measures to realize the medium-term management strategy of each business • Strengthening customer touch points, process coordination and enhancing global cooperation						• Enforce measures to catch up and surpass the competitors ✓ Metalworking Solutions: Global Top 3 ✓ Advanced Products : “Global First Supplier”		
	Recycling-Based Business	• Building a foundation for the recycling business						• Promote utilization of recycling data		
	Manufacturing Digital transformation	• Implement digital transformation to achieve the goals of safety and security, maintenance, procurement, and R&D • Promote data utilization in the fields and smart factory plans						• Accelerate digital transformation to enhance safety and security, maintenance, and procurement • Accelerate manufacturing excellence and new business development by utilizing data and digital technologies		
	ERP	• Formulation of ERP introduction plan		• Define requirements/ Design • Development / Testing				• Implement on a non-group-wide basis first and then gradually roll out to domestic and overseas companies in the Group		
	Data infrastructure/ Business Administration	• Build infrastructure for data analysis • Training for data scientists and promote data utilization • Improving business administration						• Build and utilize data infrastructure in the Group • Visualization of management information, automation and sophistication of analysis • Realize speedy management based on data		
	Operational Efficiency	• Standardization of operation, and thorough automation						• Standardize and improve efficiency of operations across the Group and shift human resources to high value-added operations		
	DX talent development	• Design digital transformation training system and MMDX activity across the entire Group • Practice free and frank communication						• Digital transformation talent development and strengthening of digital transformation literacy • All group members autonomously accelerate digital transformation		

II Overview of FY2023 Strategy

- 1) Value Creation Process
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◆ Changed to a company with a Nomination Committee in June 2019

Purpose: Accelerate decision-making by delegating authority, strengthen the Board of Directors' management supervisory functions, and improve the management transparency and fairness

Continuous improvement of the functions of the Board of Directors

- Continuous improvement of the monitoring functions performed by the Board of Directors
- Ensure diversity of director composition

Formulation of basic corporate governance policy (effective April 1, 2020)

- Clarification of policies to respond to each item set forth in CG code

CEO appointment and dismissal, planning and execution of successor development plan

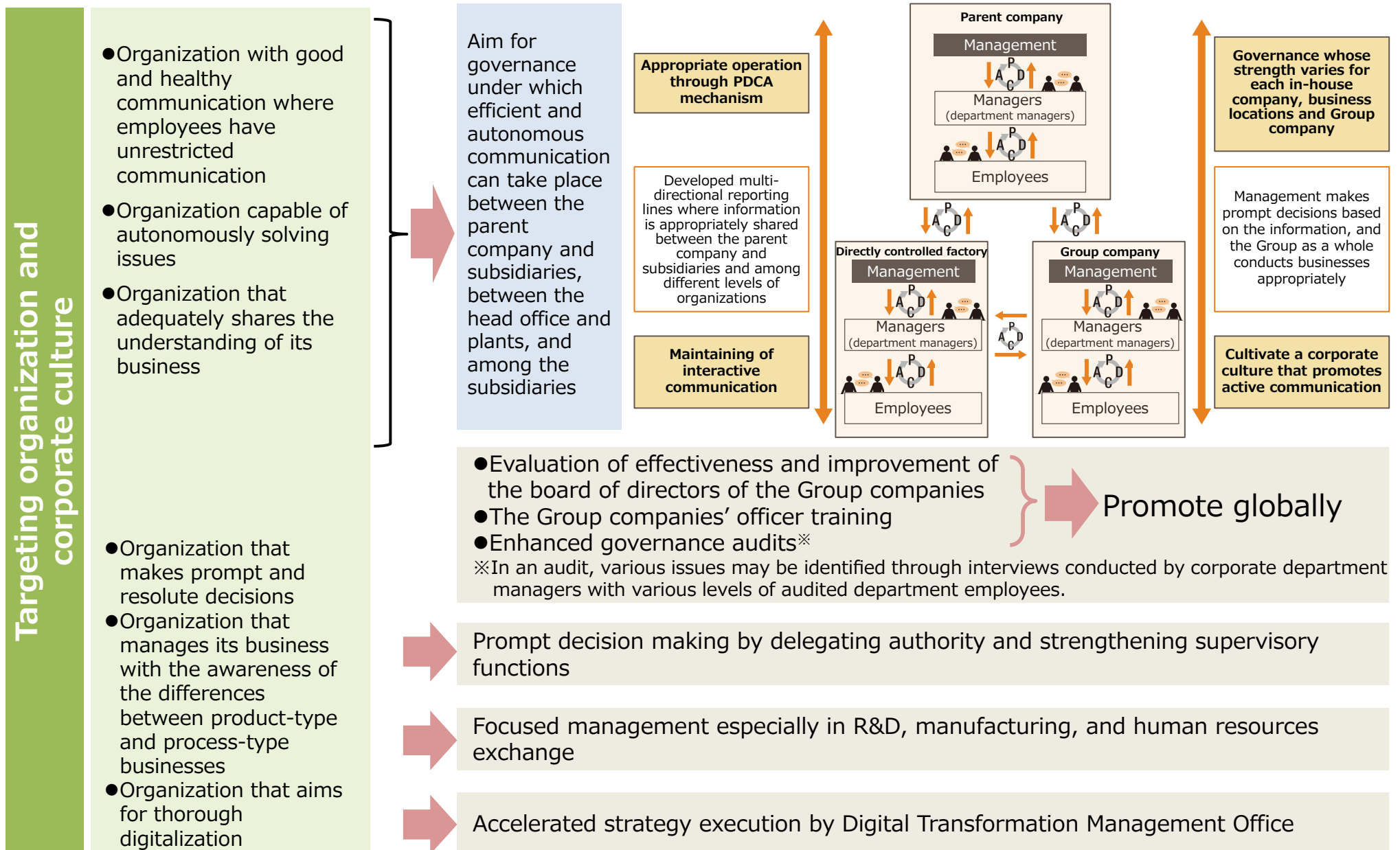
- Adoption of appointment and dismissal process
- Establishment of the selection of a successor candidate, as well as the planning and execution of its development plan with the involvement of the Nomination Committee

Review of executive remuneration system

- Remuneration Committee establishment of an incentive-based executive remuneration system with a variable remuneration ratio (Start operations from FY2021)

Enhancement of governance of subsidiaries

- Review of systems for director nomination and remuneration
- Proactive management of the Board of Directors



HR Strategy

Secure and foster talents adaptive to change and forge a healthy organizational culture

Talent

- ① Secure human resources Raising of mandatory retirement age, reinforce hiring activities and systems, including within the Group companies, etc.
- ② Develop human resources Visualize capabilities of employees (talent management), etc.

Organizational culture

- ① Enhance motivation Introduce professional talent system, etc.
- ② Enhance management capabilities of the Group companies Promote personnel exchange within the Group and instilling leadership qualities, etc.

Improvement of social value

- ① Employ diverse talents Raising of mandatory retirement age, and expansion of diversity and inclusion activities, etc.
- ② Health & productivity management Engage in activities for achieving the status of being a certified desirable place to work

Change of organizations

Business Divisions

- 1. Promotion of Environmental and Energy Business Division to in-house Company:** Positioned as a core business that can contribute to solving social issues
- 2. Separation of Aluminum Division from Advanced Products Company:** Fundamental improvement of profitability and acceleration of strategic review, including overseas expansion

Corporate Division

- 1. Establishment of Marketing Department:** Strengthening of corporate marketing functions
- 2. Establishment of Corporate Communications Department:** Centralizing information dissemination to stakeholders

Company-wide organization

- 1. Establishment of Digital Transformation Management Office:** Promotion of digitalization strategy
- 2. Establishment of Sustainable Management Office:** Ensuring business sustainability
Establishment of subcommittees for Communications, Corporate Functions Optimization, Governance, Compliance, Risk and Crisis Management, Climate Change and Energy, Environmental Management, Quality Management, Information Security, and Zero Disaster Promotion, Health & Productivity Management

Future plans and other statements are based on information made available to MMC's management as of the date of the release of this material.

Note that there are uncertain/risk factors inherent in plans, and there may be cases in which actual results materially differ from plans and other statements made within this material.

Mitsubishi Materials Corporation